

**REPORT OF THE AUDIT OF THE
CASEY COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Randy Dial, Casey County Judge/Executive
Members of the Casey County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Casey County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Casey County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Casey County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Casey County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Casey County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Randy Dial, Casey County Judge/Executive
Members of the Casey County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Casey County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Casey County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Casey County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Casey County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky
The Honorable Andy Beshear, Governor
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Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Casey County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of the Casey County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Casey County Fiscal Court's internal control over financial reporting and compliance.

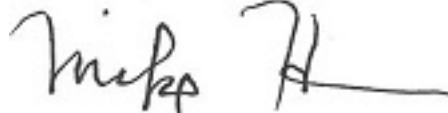
To the People of Kentucky
The Honorable Andy Beshear, Governor
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Members of the Casey County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses Schedule included herein, which discusses the following report findings:

- 2022-001 The Former Casey County Jailer Did Not Have Segregation Of Duties Over Accounting Functions Of Jail Commissary Fund And Inmate Account
- 2022-002 The Former Casey County Jailer Did Not Reconcile The Inmate Account To Zero And Failed to Follow Requirements Of KRS 441.137
- 2002-003 The Casey County Fiscal Court Did Not Prepare All Purchase Orders Before Purchases Were Made

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 31, 2023

CASEY COUNTY OFFICIALS
For The Year Ended June 30, 2022

Fiscal Court Members:

Randy Dial	County Judge/Executive
Robby Murphy	Magistrate
Steve Martin	Magistrate
Bart Woodrum	Magistrate
Cecil Roy	Magistrate

Other Elected Officials:

Thomas Weddle, Jr.	County Attorney
Tommy Miller	Jailer
Casey Davis	County Clerk
Craig Overstreet	Circuit Court Clerk
Chad Weddle	Sheriff
Eric Brown	Property Valuation Administrator
Curt Demrow	Coroner

Appointed Personnel:

Debra Vaughn	County Treasurer
Melissa Richards	Deputy County Judge/Executive

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**CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2022

CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2022

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,677,806	\$	\$
Excess Fees	224,379		
Licenses and Permits	17,697		
Intergovernmental	263,263	2,121,545	1,995,881
Charges for Services	38,191		2,998
Miscellaneous	576,900	43,452	85,957
Interest	1,446	2,274	100
Total Receipts	<u>2,799,682</u>	<u>2,167,271</u>	<u>2,084,936</u>
DISBURSEMENTS			
General Government	1,030,476		
Protection to Persons and Property	46,378		2,380,854
General Health and Sanitation	97,167		
Social Services	3,625		
Recreation and Culture	258,506		
Roads		2,320,938	
Debt Service	52,525		385,749
Administration	749,375	280,199	653,905
Total Disbursements	<u>2,238,052</u>	<u>2,601,137</u>	<u>3,420,508</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>561,630</u>	<u>(433,866)</u>	<u>(1,335,572)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			1,500,000
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			<u>1,500,000</u>
Net Change in Fund Balance	561,630	(433,866)	164,428
Fund Balance - Beginning	<u>1,234,498</u>	<u>2,303,674</u>	<u>105,869</u>
Fund Balance - Ending	<u>\$ 1,796,128</u>	<u>\$ 1,869,808</u>	<u>\$ 270,297</u>
Composition of Fund Balance			
Bank Balance	\$ 1,798,907	\$ 1,971,370	\$ 300,290
Less: Outstanding Checks	<u>(2,779)</u>	<u>(101,562)</u>	<u>(29,993)</u>
Fund Balance - Ending	<u>\$ 1,796,128</u>	<u>\$ 1,869,808</u>	<u>\$ 270,297</u>

The accompanying notes are an integral part of the financial statement.

CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	State Economic Development Fund	Federal Fund	Emergency 911 Fund	Special American Rescue Plan Act Fund
\$	\$	\$	\$ 52,507	\$
11,217		10,000		
45	3		36	1,209
<u>11,262</u>	<u>3</u>	<u>10,000</u>	<u>52,543</u>	<u>1,209</u>
		10,000	66,315	
			904	
		<u>10,000</u>	<u>67,219</u>	
<u>11,262</u>	<u>3</u>		<u>(14,676)</u>	<u>1,209</u>
				(1,500,000)
				(1,500,000)
11,262	3		(14,676)	(1,498,791)
40,763	2,982		45,696	1,569,529
<u>\$ 52,025</u>	<u>\$ 2,985</u>	<u>\$ 0</u>	<u>\$ 31,020</u>	<u>\$ 70,738</u>
\$ 52,025	\$ 2,985	\$	\$ 31,020	\$ 70,738
<u>\$ 52,025</u>	<u>\$ 2,985</u>	<u>\$ 0</u>	<u>\$ 31,020</u>	<u>\$ 70,738</u>

The accompanying notes are an integral part of the financial statement.

CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

	<u>Unbudgeted Funds</u>		
	Casey County		
	Public		
	Properties	Jail	Total
Judicial Center	Commissary		
	Fund	Fund	Funds
RECEIPTS			
Taxes	\$	\$	\$ 1,730,313
Excess Fees			224,379
Licenses and Permits			17,697
Intergovernmental	510,025		4,911,931
Charges for Services			41,189
Miscellaneous		505,499	1,211,808
Interest	1		5,114
Total Receipts	<u>510,026</u>	<u>505,499</u>	<u>8,142,431</u>
DISBURSEMENTS			
General Government			1,040,476
Protection to Persons and Property			2,493,547
General Health and Sanitation			97,167
Social Services			3,625
Recreation and Culture		407,613	666,119
Roads			2,320,938
Debt Service	508,525		946,799
Administration	1,500		1,685,883
Total Disbursements	<u>510,025</u>	<u>407,613</u>	<u>9,254,554</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1</u>	<u>97,886</u>	<u>(1,112,123)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			1,500,000
Transfers To Other Funds			(1,500,000)
Total Other Adjustments to Cash (Uses)			<u>(1,112,123)</u>
Net Change in Fund Balance	1	97,886	(1,112,123)
Fund Balance - Beginning	<u>544</u>	<u>238,891</u>	<u>5,542,446</u>
Fund Balance - Ending	<u>\$ 545</u>	<u>\$ 336,777</u>	<u>\$ 4,430,323</u>
Composition of Fund Balance			
Bank Balance	\$ 545	\$ 337,645	\$ 4,565,525
Less: Outstanding Checks		(868)	(135,202)
Fund Balance - Ending	<u>\$ 545</u>	<u>\$ 336,777</u>	<u>\$ 4,430,323</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**CASEY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Casey County includes all budgeted and unbudgeted funds under the control of the Casey County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Economic Development Fund - The primary purpose of this fund is to account for grants and related disbursements restricted for economic development. The primary source of receipts for this fund is state grants.

Federal Fund - The primary purpose of this fund is to account for federal grant receipts and federal grant disbursements of the county.

Emergency 911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary sources of receipts for this fund are 911 telephone surcharges.

Special American Rescue Plan Act Fund - The primary purpose of this fund is to account for the American Rescue Plan Act receipts and disbursements of the county.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Casey County Public Properties Judicial Center Fund - The primary purpose of this fund is to account for the debt service requirements of the First Mortgage Refunding Revenue Bonds, Series 2011.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued).

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The state local finance officer does not require the Casey County Public Properties Judicial Center Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Casey County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Casey County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the East Casey County Water Service is considered a related organization of the Casey County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Casey County Fiscal Court:

Liberty-Casey Airport
 Liberty-Casey Economic Development Authority
 Casey County Emergency Medical Services

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	Special American Rescue Plan Act Fund	Total Transfers In
	<u> </u>	<u> </u>
Jail Fund	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Total Transfers Out	<u><u>\$ 1,500,000</u></u>	<u><u>\$ 1,500,000</u></u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 3. Transfers (Continued)

Reason for transfers:

To move resources from the American Rescue Plan Act Fund to Jail Fund for expenditures of federal money.

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2022 was \$19,373.

Note 5. Leases

1. Lessor

On November 2, 2011, the Casey County Public Properties Corporation (the corporation), a blended component unit of the fiscal court, began leasing the judicial center to the Administrative Office of the Courts (AOC). The lease is for two years and the rental payments shall agree to the annual principal and interest costs on the bonds issued for the construction of the building. On July 1 of each even numbered year, the lease may be renewed by AOC, for another biennial period of two years. The lease renewal shall automatically be considered to have been affirmatively exercised each even numbered year by AOC, unless notice of its election not to exercise the option for the biennial period be given by AOC to the corporation, the trustee, and the county in writing at least 60 days prior to the renewal date hereof. The corporation recognized \$508,125 in lease revenue during the current fiscal year. As of June 30, 2022, the corporation's receivable for lease payments was \$508,125.

2. Lessee

A. On May 1, 2018, the Casey County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of office equipment at the Casey County Detention Center. An initial lease liability was recorded in the amount of \$11,367 during fiscal year 2018. The Casey County Fiscal Court is required to make monthly principal payments of \$189. As of June 30, 2022, the value of the lease liability was \$4,168. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended	
June 30	Amount
2023	\$ 2,273
2024	1,895
	<u>\$ 4,168</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases (Continued)

2. Lessee (Continued)

- B. On March 11, 2020, the Casey County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of office equipment at the Casey County Detention Center. An initial lease liability was recorded in the amount of \$8,303 during fiscal year 2020. The Casey County Fiscal Court is required to make monthly principal payments of \$138. As of June 30, 2022, the value of the lease liability was \$4,428. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 1,661
2024	1,660
2025	<u>1,107</u>
	<u>\$ 4,428</u>

- C. On January 11, 2022, the Casey County Fiscal Court entered into a five-year lease agreement as lessee for the acquisition and use of office equipment at the Casey County Detention Center. An initial lease liability was recorded in the amount of \$12,689. The Casey County Fiscal Court is required to make monthly principal payments of \$211. As of June 30, 2022, the value of the lease liability was \$11,420. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 2,538
2024	2,538
2025	2,538
2026	2,538
2027	<u>1,268</u>
	<u>\$ 11,420</u>

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. General Obligation Lease

On April 12, 2011, Casey County Fiscal Court entered into a general obligation lease agreement with Fifth Third Bank for the purpose of refunding the Kentucky Area Development Districts (KADD) Leasing Trust Program lease which was used to fund a new detention facility. On May 2, 2011, Casey County Fiscal Court used these funds to pay off the existing KADD lease principal and interest due.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. General Obligation Lease (Continued)

The general obligation lease total principal was \$3,639,523 and required one principal payment on June 1, 2011 of \$57,608 and requires annual principal payments due December 1 beginning on December 1, 2011 for a period of 12 years. The maturity date is November 2022. Interest payments are due semi-annually at a fixed rate of 3.90% due on December 1 and June 1 for a period of 12 years.

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) By appropriate court action, enforce the pledge set forth in section 5(F) of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due;
- (b) Sell or re-lease the facility or any portion thereof; or
- (c) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the facility under this lease (including, without limitation, the right to possession of the facility and the right to sell or re-lease or otherwise dispose of the facility in accordance with applicable law) and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

No remedy herein conferred upon or reserved to the lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power may be exercised from time to time and as often as may be deemed expedient. If any agreement contained in the lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder. Principal outstanding as of June 30, 2022 was \$362,107. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 362,107	\$ 7,061
Totals	\$ 362,107	\$ 7,061

2. General Obligation Lease Agreement - Casey County Bank, Series 2015

On June 30, 2015, the Casey County Fiscal Court issued \$492,000 of General Obligation Lease Agreement – Casey County Bank, Series 2015, for the purpose of acquisition, development, and construction of real property and building for Kentucky Community & Technical College System. This debt issued paid off the short term financing for Casey County Educational Building Project. The bond requires semi-annual interest payments due on December 1 and June 1 at a rate of 2.50%. The bond will mature on June 30, 2025.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. General Obligation Lease Agreement - Casey County Bank, Series 2015 (Continued)

Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, by appropriate court action, enforce the pledge set forth in section 5(F) of the ordinance and section 11 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. Principal outstanding as of June 30, 2022 was \$166,245. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 52,099	\$ 4,006
2024	53,401	2,703
2025	60,745	1,368
Totals	<u>\$ 166,245</u>	<u>\$ 8,077</u>

3. Boiler and Holding Tank

On March 17, 2020, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust as Administrator and Republic Bank & Trust Company as Lessor in the sum of \$100,000 at a 3.96% effective interest rate. The financing obligation was acquisition and installation of a boiler and holding tank. The boiler and holding tank are being used as collateral for this agreement. In the event of default, the Kentucky Association of Counties Leasing Trust may terminate the lease and take possession of the project within 60 days. The maturity date of the obligation is March 20, 2027.

Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may at its option exercise any one or more of the following remedies as to the project, to whichever the event of default pertains:

- (a) Terminate the lease term and give notice to the lessee to vacate or surrender the project within sixty days from the date of such notice;
- (b) By written notice to the lessee, enter and take immediate possession of the project;
- (c) Recover from the lessee:
 - a. The lease payments which would otherwise have been payable hereunder any periods in which the lessee continues to use, occupy, or retain possession of the project and
 - b. Lease payments which would otherwise have been payable hereunder after the lessee vacates or surrenders the project during the remainder of the fiscal year in which such event of default occurs

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Boiler and Holding Tank (Continued)

- (d) Sell or lease the project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payments applicable to the principal component in the inverse order of their due date; and
- (e) Exercises any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law, subject to the limitations contained in the lease with respect to the lessee's obligations under the occurrence of an event of no appropriation; or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project, including, but not limited to, any one or more remedial steps available to secured parties under Article 9 of the UCC and which are otherwise accorded to lessor by applicable law.

The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred and enforced the remedies set forth in this remedies, section of this lease. Principal outstanding as of June 30, 2022 was \$67,857. Future principal and interest requirements are as follows.

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 14,286	\$ 2,462
2024	14,286	1,893
2025	14,286	1,315
2026	14,286	741
2027	10,713	180
Totals	<u>\$ 67,857</u>	<u>\$ 6,591</u>

B. Other Debt

1. Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011

On November 2, 2011, the Casey County Public Property Corporation issued First Mortgage Refunding Revenue Bonds, Series 2011. Bond proceeds were used to refund the \$6,375,000 Casey County Public Properties Corporation First Mortgage Revenue Bonds, Series 2002, which was issued for the purchase of constructing a new Judicial Center Facility for lease to the Administrative Office of the Courts.

Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011 total principal was \$4,280,000 and requires annual principal payments due on August 1 beginning August 1, 2013 for a period of ten (10) years. Interest payments are due semi-annually at a varying rate, ranging from 2% to 3.25% due on February 1 and August 1 beginning February 1, 2012 for a period of ten (10) years.

**CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)**

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011 (Continued)

The Casey County Public Properties Corporation (corporation), Casey County Fiscal Court, and the Administrative Office of the Courts (AOC) entered into a lease agreement dated March 1, 2001, with a lease addendum dated February 1, 2002, wherein AOC shall lease from the corporation the new judicial center at an agreed rental which is anticipated to pay 100% of the debt service on the bond.

Upon the happening and continuance of any event of default to protect and enforce its rights and the rights of the owners of the bonds by such of the following remedies, as the trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

- (a) by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against the Administrative Office of the Courts (AOC), the county or the corporation, and until such sale the county may at any time by the discharge of the bonds and interest and any premium thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the trustee, there will first be paid all expenses incident to said document, and thereafter the bonds then outstanding will be paid and retired;
- (b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the owners of the bonds, including the right to require the corporation to enforce fully the lease and to charge, collect and fully account for the pledged receipts, and to require the corporation to carry out any and all other covenants or agreements with the bondholders and to perform its duties under the act;
- (c) by bringing suit upon the bonds;
- (d) by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds;
- (e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds;
- (f) by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than 25% in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and
- (g) in the event that all bonds are declared due and payable, by selling investment obligations of the corporation to the extent not theretofore set aside for redemption of the bonds for which call has been made and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011 (Continued)

In the enforcement of any rights and remedies under the mortgage, the trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the corporation for principal, interest or otherwise, under any provision of the mortgage or of the bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the bonds, without prejudice to any other right or remedy of the trustee or of the bondholders, and to recover and enforce a judgment or decree against the corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. Principal outstanding as of June 30, 2022 was \$500,000. Future principal and interest requirements are as follows.

Fiscal Year Ended June 30	Principal	Interest
2023	\$ 500,000	\$ 8,125
Totals	<u>\$ 500,000</u>	<u>\$ 8,125</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and					
Direct Placements	\$ 1,005,222	\$	\$ 409,013	\$ 596,209	\$ 428,492
Other Debt	985,000		485,000	500,000	500,000
Total Long-term Debt	<u>\$ 1,990,222</u>	<u>\$ 0</u>	<u>\$ 894,013</u>	<u>\$ 1,096,209</u>	<u>\$ 928,492</u>

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 500,000	\$ 8,125	\$ 428,492	\$ 13,529
2024			67,687	4,596
2025			75,031	2,683
2026			14,286	741
2027			10,713	180
Totals	<u>\$ 500,000</u>	<u>\$ 8,125</u>	<u>\$ 596,209</u>	<u>\$ 21,729</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$569,246, FY 2021 was \$651,517, and FY 2022 was \$620,523.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Employee Retirement System (Continued)

Nonhazardous (Continued)

The employer contribution rate is set annually by the Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 26.95 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 44.33 percent.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Health Reimbursement Account/Flexible Spending Account

The Casey County Fiscal Court established a flexible spending account on August 5, 2015, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a “benefits” card to the full-time insured employees to help with the high deductible. Full-time insured employees get a maximum of \$2,000 annually. As of June 30, 2022, the balance of the plan is \$192.

Note 9. Insurance

For the fiscal year ended June 30, 2022, the Casey County Fiscal Court was a member of the Kentucky Association of Counties’ All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials’ errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Subsequent Event

Since the former county treasurer had informed the Casey County Fiscal Court of her intention to retire as of June 30, 2023, the fiscal court appointed a new county treasurer on May 15, 2023 effective immediately. The former county treasurer will continue as an employee of the fiscal court until June 30, 2023 as an advisor to the new county treasurer.

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CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,409,600	\$ 1,409,600	\$ 1,677,806	\$ 268,206
Excess Fees	162,035	162,035	224,379	62,344
Licenses and Permits	17,000	17,000	17,697	697
Intergovernmental	287,600	287,600	263,263	(24,337)
Charges for Services	34,500	34,500	38,191	3,691
Miscellaneous	517,750	517,750	576,900	59,150
Interest	2,000	2,000	1,446	(554)
Total Receipts	<u>2,430,485</u>	<u>2,430,485</u>	<u>2,799,682</u>	<u>369,197</u>
DISBURSEMENTS				
General Government	1,226,237	1,307,466	1,030,476	276,990
Protection to Persons and Property	50,100	51,820	46,378	5,442
General Health and Sanitation	133,200	128,420	97,167	31,253
Social Services	9,750	9,750	3,625	6,125
Recreation and Culture	290,798	305,378	258,506	46,872
Debt Service	56,104	56,104	52,525	3,579
Administration	944,296	851,547	749,375	102,172
Total Disbursements	<u>2,710,485</u>	<u>2,710,485</u>	<u>2,238,052</u>	<u>472,433</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(280,000)</u>	<u>(280,000)</u>	<u>561,630</u>	<u>841,630</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	55,000	55,000		(55,000)
Transfers To Other Funds	(775,000)	(775,000)		775,000
Total Other Adjustments to Cash (Uses)	<u>(720,000)</u>	<u>(720,000)</u>		<u>720,000</u>
Net Change in Fund Balance	(1,000,000)	(1,000,000)	561,630	1,561,630
Fund Balance - Beginning	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,234,498</u>	<u>234,498</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,796,128</u>	<u>\$ 1,796,128</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,290,072	\$ 2,290,072	\$ 2,121,545	\$ (168,527)
Miscellaneous	360,000	360,000	43,452	(316,548)
Interest	5,000	5,000	2,274	(2,726)
Total Receipts	<u>2,655,072</u>	<u>2,655,072</u>	<u>2,167,271</u>	<u>(487,801)</u>
DISBURSEMENTS				
Roads	2,823,200	2,812,500	2,320,938	491,562
Administration	526,872	537,572	280,199	257,373
Total Disbursements	<u>3,350,072</u>	<u>3,350,072</u>	<u>2,601,137</u>	<u>748,935</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(695,000)</u>	<u>(695,000)</u>	<u>(433,866)</u>	<u>261,134</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(55,000)</u>	<u>(55,000)</u>		<u>55,000</u>
Total Other Adjustments to Cash (Uses)	<u>(55,000)</u>	<u>(55,000)</u>		<u>55,000</u>
Net Change in Fund Balance	(750,000)	(750,000)	(433,866)	316,134
Fund Balance - Beginning	<u>750,000</u>	<u>750,000</u>	<u>2,303,674</u>	<u>1,553,674</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,869,808</u>	<u>\$ 1,869,808</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,381,250	\$ 2,381,250	\$ 1,995,881	\$ (385,369)
Charges for Services	7,900	7,900	2,998	(4,902)
Miscellaneous	65,000	65,000	85,957	20,957
Interest	100	100	100	
Total Receipts	<u>2,454,250</u>	<u>2,454,250</u>	<u>2,084,936</u>	<u>(369,314)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,107,759	2,449,987	2,380,854	69,133
Debt Service	386,516	386,516	385,749	767
Administration	784,975	1,942,747	653,905	1,288,842
Total Disbursements	<u>3,279,250</u>	<u>4,779,250</u>	<u>3,420,508</u>	<u>1,358,742</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(825,000)</u>	<u>(2,325,000)</u>	<u>(1,335,572)</u>	<u>989,428</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	725,000	725,000	1,500,000	775,000
Total Other Adjustments to Cash (Uses)	<u>725,000</u>	<u>725,000</u>	<u>1,500,000</u>	<u>775,000</u>
Net Change in Fund Balance	(100,000)	(1,600,000)	164,428	1,764,428
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>105,869</u>	<u>5,869</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (1,500,000)</u>	<u>\$ 270,297</u>	<u>\$ 1,770,297</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,000	\$ 16,000	\$ 11,217	\$ (4,783)
Interest	33	33	45	12
Total Receipts	<u>16,033</u>	<u>16,033</u>	<u>11,262</u>	<u>(4,771)</u>
DISBURSEMENTS				
Recreation and Culture	20,000	20,000		20,000
Administration	29,033	29,033		29,033
Total Disbursements	<u>49,033</u>	<u>49,033</u>		<u>49,033</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>11,262</u>	<u>44,262</u>
Net Change in Fund Balance	(33,000)	(33,000)	11,262	44,262
Fund Balance - Beginning	<u>33,000</u>	<u>33,000</u>	<u>40,763</u>	<u>7,763</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,025</u>	<u>\$ 52,025</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	STATE ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 5	\$ 5	\$ 3	\$ (2)
Total Receipts	<u>5</u>	<u>5</u>	<u>3</u>	<u>(2)</u>
DISBURSEMENTS				
Administration	2,990	2,990		2,990
Total Disbursements	<u>2,990</u>	<u>2,990</u>		<u>2,990</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,985)</u>	<u>(2,985)</u>	<u>3</u>	<u>2,988</u>
Net Change in Fund Balance	(2,985)	(2,985)	3	2,988
Fund Balance - Beginning	<u>2,985</u>	<u>2,985</u>	<u>2,982</u>	<u>(3)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,985</u>	<u>\$ 2,985</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	FEDERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$ 200,000	\$ 10,000	\$ (190,000)
Total Receipts		200,000	10,000	(190,000)
DISBURSEMENTS				
General Government		200,000	10,000	190,000
Total Disbursements		200,000	10,000	190,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$	0
		\$	0	\$
		0	0	0
		0	0	0

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 270,000	\$ 270,000	\$ 52,507	\$ (217,493)
Miscellaneous	150	150		(150)
Interest	40	40	36	(4)
Total Receipts	<u>270,190</u>	<u>270,190</u>	<u>52,543</u>	<u>(217,647)</u>
DISBURSEMENTS				
Protection to Persons and Property	236,850	242,850	66,315	176,535
Administration	113,340	107,340	904	106,436
Total Disbursements	<u>350,190</u>	<u>350,190</u>	<u>67,219</u>	<u>282,971</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(14,676)</u>	<u>65,324</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,000	50,000		(50,000)
Total Other Adjustments to Cash (Uses)	<u>50,000</u>	<u>50,000</u>		<u>(50,000)</u>
Net Change in Fund Balance	(30,000)	(30,000)	(14,676)	15,324
Fund Balance - Beginning	<u>30,000</u>	<u>30,000</u>	<u>45,696</u>	<u>15,696</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,020</u>	<u>\$ 31,020</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	SPECIAL ARPA FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$ 1,569,348	\$	\$ (1,569,348)
Interest	600	600	1,209	609
Total Receipts	600	1,569,948	1,209	(1,568,739)
DISBURSEMENTS				
Administration	1,570,000	1,639,348		1,639,348
Total Disbursements	1,570,000	1,639,348		1,639,348
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,569,400)	(69,400)	1,209	70,609
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,500,000)	(1,500,000)
Total Other Adjustments to Cash (Uses)			(1,500,000)	(1,500,000)
Net Change in Fund Balance	(1,569,400)	(69,400)	(1,498,791)	(1,429,391)
Fund Balance - Beginning	1,569,400	1,569,400	1,569,529	129
Fund Balance - Ending	\$ 0	\$ 1,500,000	\$ 70,738	\$ (1,429,262)

**CASEY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

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**CASEY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2022

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CASEY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,214,000	\$ 50,000	\$	\$ 1,264,000
Construction In Progress	121,200	100,000	121,200	100,000
Land Improvements	141,641			141,641
Buildings	16,859,795	165,058		17,024,853
Vehicles and Equipment	2,281,412	64,500		2,345,912
Other Equipment	1,518,724	43,616		1,562,340
Infrastructure	12,468,983	1,246,754		13,715,737
 Total Capital Assets	 <u>\$ 34,605,755</u>	 <u>\$ 1,669,928</u>	 <u>\$ 121,200</u>	 <u>\$ 36,154,483</u>

**CASEY COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS**

June 30, 2022

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 75
Equipment	\$ 2,500	3 - 25
Vehicles	\$ 2,500	3 - 5
Infrastructure	\$ 20,000	10 - 50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Randy Dial, Casey County Judge/Executive
Members of the Casey County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Casey County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Casey County Fiscal Court's financial statement and have issued our report thereon dated May 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Casey County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Casey County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Casey County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and as items 2022-001 and 2022-003 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2022-003.

Views of Responsible Officials and Planned Corrective Action

Casey County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 31, 2023

**CASEY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**CASEY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Former Casey County Jailer Did Not Have Segregation Of Duties Over Accounting Functions Of Jail Commissary Fund And Inmate Account

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The former Casey County Jailer did not have adequate segregation over all accounting functions of the jail commissary fund and the inmate account. The former jailer's bookkeeper received the mail, collected cash, issued receipts, prepared and deposited receipts, wrote and signed checks, and prepared bank reconciliations. The bookkeeper also posted to the receipts and disbursements ledgers.

According to the former jailer's bookkeeper, this condition is a result of a limited budget, which restricted the number of employees the former jailer could hire and limited the delegation of duties.

A lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to the fiscal court. A proper segregation of duties over the accounting functions or implementing compensating controls, when necessary because of a limited number of staff, is essential for providing protection from undetected errors occurring. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the jailer segregate the duties of preparing deposits, recording receipts, preparing the bank reconciliations, and signing checks. If segregation of duties is not feasible due to lack of staff, we recommend the jailer implement effective compensating controls to offset the lack of segregation of duties.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: I have spoken with the current Jailer regarding this situation and we will work together to correct the issue.

Jailer's Response: This issue was taken care of 1/1/23 when [name redacted] was hired to help [name redacted] in the front office.

2022-002 The Former Casey County Jailer Did Not Reconcile The Inmate Account To Zero And Failed to Follow Requirements Of KRS 441.137

The former Casey County Jailer's inmate account had a reconciled book balance of \$19,373 as of June 30, 2022. The bookkeeper was unable to identify who the \$19,373 belonged to and so she was unable to distribute it. The June 30, 2022 inmate account bank reconciliation included outstanding checks that date back to August 14, 2008. Total stale dated checks for inmate refunds are \$68,100 as of June 30, 2022. The bookkeeper did not transfer money abandoned by inmates after their release from the inmate account to the commissary account. In addition, the reconciled book balance included unpaid liabilities of \$108,225. The inmate account owes the jail commissary account \$104,833 per fiscal year 2021 audit, the jail commissary account \$2,083 for fiscal year 2022 commissary sales, and the jail fund \$1,309 for fiscal year 2022 fees collected for fiscal court.

The bookkeeper stated the former jailer did not have a policy to handle outstanding stale dated checks. She also stated she had been given conflicting information by previous auditors so had been afraid to move the money for outstanding checks to the commissary account.

By not handling inmate refunds correctly and failing to properly reconcile the inmate account, the chance of errors or fraud increases. Also, the jailer can miss out on monies that could be transferred to the commissary account a year after the date the check is mailed or an attempt to call is made.

**CASEY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Former Casey County Jailer Did Not Reconcile The Inmate Account To Zero And Failed to Follow Requirements Of KRS 441.137 (Continued)

Good internal controls over reconciliations dictate that due to the nature of the inmate account, the reconciled balance each month should be \$0. Strong internal controls over the inmate account should be implemented to ensure that the proper amounts are distributed timely. Additionally, KRS 441.137(1) states, “[f]or any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any, to arrange the return of the moneys. If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call.” KRS 441.137(2) states “[a]ny abandoned moneys as set out in subsection (1) of this section shall, if in a prisoner account, be transferred into the canteen account if these are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135.”

We recommend the jailer reconcile the inmate account to zero every month. We also recommend the jailer document the dates and contact method for each inmate’s outstanding balance and follow the requirements of KRS 441.137.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: I have spoken with the current Jailer regarding this situation and we will work together to correct the issue.

County Jailer’s Response: The inmate account will be reconciled to zero and follow requirements of KRS 441.137.

2022-003 The Casey County Fiscal Court Did Not Prepare All Purchase Orders Before Purchases Were Made

During fiscal year 2022, the Casey County Fiscal Court issued purchase orders after the item was purchased or the service was performed for 30 out of 37 disbursements tested in the amount of \$2,020,364. The finance officer stated that employees do not call and request purchase orders before making purchases so she cannot issue the purchase order until she receives the invoices. The purchase order process not working as designed could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets.

Proper internal controls over purchase orders are important to ensure purchase orders are only created when sufficient funds are available. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* which requires a purchase order system for all counties and each fiscal court is responsible for ensuring their purchase order system is executed and working properly. According to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, “[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county’s budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*.”

**CASEY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Casey County Fiscal Court Did Not Prepare All Purchase Orders Before Purchases Were Made
(Continued)

Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims. The manual further states “[p]urchases shall not be made without approval by the judge/executive (or designee), and/or a department head” and “[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.”

We recommend the Casey County Fiscal Court strengthen internal controls over purchase orders by ensuring purchase orders are issued prior to all purchases being made to ensure sufficient funds are available for the purchase.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The purchase orders in question were authorized by me. I authorized the expenditure, but did not assign a purchase order number at the time of authorization. A plan is now in place to ensure that all authorized work and all purchases are assigned a purchase order number at the time of authorization.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CASEY COUNTY FISCAL COURT

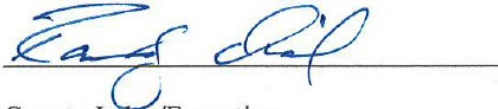
For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer